

Government urged to introduce simple and single tax system

The Businessmen Panel at the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Tuesday said uncertain tax conditions are just another flavour of economic uncertainty while simplicity removes a level of risk from financial decision-making and makes it easier to do business.

Pakistan needs a simple, transparent and single tax system to build public confidence in its taxation regime, said BMP Chairman Mian Anjum Nisar.

Simplicity and transparency were essential if the benefits of paying taxes were to be understood by the society as a whole, Pakistan needed tax simplification so that taxpayers could understand what they were paying for and they should also be helped understand the benefits of paying taxes.

To achieve this, the tax laws should be as simple as possible and this simplicity may also be reflected in the tax administration, he said.

He said every government that comes in power boasts of having turned the FBR around but the end result is back to square zero.

The FBR maintains a huge organisation but ends up in collecting just 10 percent of the GDP. With a view to transform the FBR as autonomous and efficient, it must have a lean structure. The revenue body should be headed by a forward looking practicing economist assisted with three separate members, each for Customs, sales tax, he proposed.

Anjum Nisar was of the view that there were different tax rates at federation and provinces level that were creating problems for business community and emphasized that government should make changes in this system across the country.

He said the government should ensure better benefits, incentives and respect for taxpayers that would help in expanding tax base in the country.

He said that billions of rupees of taxpayers were stuck up with FBR and industry was facing liquidity issues and urged that government should evolve a streamlined refunds clearances process.

Quoting an example, he said there is a separate Board of Inland Revenue in India, separate Board for the Customs Duty while Australia and New Zealand have introduced fourth generation of taxation model.

The Australian Taxation Office (ATO) collects all domestic taxes whereas the Australian Customs collects the Customs Duty and Federal Excise Duty as well as other taxes on the import side. In America, the federal government collects only Inland Revenue and Customs Duty whereas each state collects General Sales Tax that is non-adjustable. In the UK, Her Majesty Customs and Revenue (HMC&R) collects both kinds of the taxes but have a distinct separate stream at operational level for Customs, Income Tax and Sales Tax, he said.

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